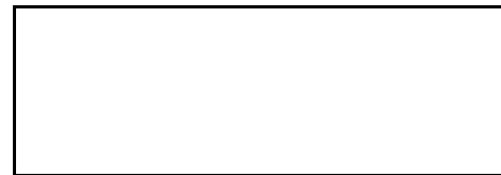


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Libya: The government and the US oil companies appear to be on a collision course over Libyan oil prices.

Libya is demanding a 79-cent increase in the posted price of \$2.23 per barrel of crude oil, of which 44 cents appears to the companies to be non-negotiable. The negotiators are now responsible directly to the Revolutionary Command Council instead of the Ministry of Petroleum, which began the negotiations in January, and the demands may now be more political than technical in character.

The new round of negotiations began in early May with two of the leading producers, Esso and Occidental, but by 10 May talks with Occidental were broken off with a threat of unspecified unilateral action. The meetings with Esso are continuing, although Esso has not yet made any concessions to the government's demands.

The tough Libyan stance may be a negotiating tactic, but the companies and the US Embassy fear that it could be a prelude to some form of production control or even nationalization.

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